C. PRINCIPAL FINANCIAL STATEMENTS

Introduction

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576) and OMB Bulletin 94-01, "Form and Content of Agency Financial Statements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL).

The audit of DOL's principal financial statements was performed by the Office of Inspector General. The auditors' report accompanies the principal statements.

Principal statements included in this report

The Department's principal financial statements for fiscal years 1997 and 1996 consist of the following:

- The **Consolidated Statements of Financial Position**, which show on an accrual basis those resources owned which are available to pay debts or provide future services and those debts from past operations that will require payments from those resources;

- The **Consolidated Statements of Operations and Changes in Net Position**, which show on an accrual basis the financing sources and the cost of goods and services consumed in carrying out authorized activities during the year and changes in fund balances by operating and non-operating components;

- The **Consolidated Statements of Cash Flows**, which identify on an accrual basis the resources used during the year to provide for operations and the acquisition of capital assets, as well as those sources of financing made available for operations and capital acquisitions.

The principal financial statements have been prepared to report the financial position and results of operations of DOL, pursuant to the requirements of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The statements should be read with the realization that they are from a sovereign entity, that unfunded liabilities reported in the financial statements cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. While the statements have been prepared from the books and records of DOL in accordance with the formats prescribed by OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

Consolidating schedules included in this report

Consolidating schedules of financial position and operations and changes in net position have been presented as supplemental information outside the principal statements and are not considered necessary for presentation of financial position or results of operations in conformity with OMB Bulletin 94-01 and Departmental accounting policies. This information is presented for purposes of additional analysis of the principal statements.

Financial resources and results of operations

The accompanying principal statements summarize DOL's financial position, results of operations, changes in net position and significant cash flows during fiscal years 1997 and 1996. A summary of the Department's operating results and financial position during the two fiscal years follows.

Operating expenses

- The cost of operating DOL programs during fiscal years 1997 and 1996 was $33.6 billion and $36.6 billion respectively, a decrease of $3.0 billion (8%) between fiscal years. This decrease was primarily attributable to reductions in the cost of DOL's unemployment insurance program.

Financing sources

- Financing sources for DOL operations during fiscal years 1997 and 1996 were $41.9 billion and $41.6 billion respectively, a increase of $.3 billion (1%) between fiscal years. Employer taxes were DOL's largest source of funds in 1997 and 1996, representing over 66% of total financing sources for both years. Interest earnings from DOL investments in U. S. Government securities during 1997 and 1996 were $3.9 and 3.4 billion respectively, an increase of 15% between fiscal years.

Financial position

- DOL's total assets at the end of 1997 and 1996 were $75.8 billion and $67.1 billion respectively, an increase of $8.7 billion (13%). DOL investments in U.S. government securities were $62.0 billion and $53.9 billion, respectively, an increase of $8.1 billion (15%). DOL investments represented 82% and 80% of DOL's total assets for fiscal years 1997 and 1996.

- DOL's liabilities decreased from $8.0 billion in 1996 to $7.5 billion in 1997, a decrease of $.5 billion (6%). Decreases in accounts payable and accrued unemployment and workers' compensation benefits ($.7 billion or 32%) were partially offset by an increase in borrowings by the Black Lung Disability Trust Fund from the U.S. Treasury ($.4 billion or 8%).

- DOL's net position increased from $ 59.1 billion at the end of 1996 to $68.3 billion in 1997, an increase of $ 9.2 billion (16%). This increase in net position was primarily attributable to the favorable operating results of the UTF, which produced financing sources in excess of expenses during 1997 in the amount of $8.6 billion. Net position was decreased by the $.4 billion loss reported in the Black Lung Disability Trust Fund during 1997.

- Future funding requirements, net of future funding sources were $1.5 billion and $1.3 billion at the end of 1997 and 1996 respectively, an increase of $.2 billion (15%). This increase was primarily due to an increase in repayable advances made by the U.S. Treasury to the Black Lung Disability Trust Fund.

  At the end of 1997, future funding requirements totaled $6.6 billion, including $5.5 billion in repayable advances used to finance the accumulated deficit in the Black Lung Disability Trust Fund and $.9 billion in accrued leave and workers' compensation benefits. Future funding sources were $5.1 billion, including $3.0 billion due from other Federal agencies for workers' compensation benefits and $1.0 billion in interest receivable.

  At the end of 1996, future funding requirements totaled $6.5 billion, including $5.1 billion in repayable advances used to finance the accumulated deficit in the Black Lung Disability Trust Fund and $1.1 billion in accrued leave and workers' compensation benefits. Future funding sources were $5.2 billion, including $3.0 billion due from other Federal agencies for workers' compensation benefits and $.9 billion in interest receivable.

U.S. DEPARTMENT OF LABOR

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30

(Dollars in thousands)	1997	1996
ASSETS		
Entity assets		
Intragovernmental assets		
Funds with U.S. Treasury (Notes 1-E and 2)	$ 7,916,763	$ 7,300,917
Investments (Notes 1-F and 3)	61,998,635	53,920,106
Accounts receivable, net of allowance (Notes 1-G and 4)	3,390,328	3,406,717
Interest receivable	1,025,425	871,002
Governmental assets		
Accounts receivable, net of allowance (Notes 1-G and 4)	617,123	812,444
Interest receivable	3,568	3,410
Advances (Notes 1-H and 5)	128,853	56,056
Property, plant and equipment, net of depreciation (Notes 1-I and 6)	580,581	488,711
Total entity assets	75,661,276	66,859,363
Non-entity assets		
Intragovernmental assets		
Funds with U.S. Treasury (Notes 1-E and 2)	50,004	73,037
Investments (Notes 1-F and 3)	74,521	127,659
Interest receivable	1,232	2,094
Governmental assets		
Accounts receivable, net of allowance (Notes 1-G and 4)	37,027	43,045
Interest receivable	1,795	535
Total non-entity assets	164,579	246,370
Total Assets	$ 75,825,855	$ 67,105,733

The accompanying notes are an integral part of these statements.

U.S. DEPARTMENT OF LABOR

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30

(Dollars in thousands)	1997	1996
LIABILITIES AND NET POSITION		
Liabilities covered by budgetary resources		
Intragovernmental liabilities		
Accounts payable	$ 6,212	$ 4,233
Other liabilities (Note 8)	97,305	142,723
Governmental liabilities		
Accounts payable	233,647	409,475
Accrued benefits (Notes 1-K and 9)	558,492	866,184
Other liabilities (Note 8)	47,089	39,582
Total liabilities covered by budgetary resources	942,745	1,462,197
Liabilities not covered by budgetary resources		
Intragovernmental liabilities		
Advances from U.S. Treasury (Note 1-J and 7)	5,486,557	5,111,557
Other liabilities (Note 8)	125,386	206,195
Governmental liabilities		
Accrued benefits (Notes 1-K and 9)	129,520	135,984
Future workers' compensation benefits (Notes 1-L and 10)	650,463	889,857
Accrued leave (Note 1-M)	81,087	71,891
Other liabilities (Note 8)	104,541	108,265
Total liabilities not covered by budgetary resources	6,577,554	6,523,749
Total liabilities	7,520,299	7,985,946
Net position (Notes 1-Q and 11)		
Unexpended appropriations	8,497,987	7,654,553
Invested capital	580,581	488,711
Cumulative results of operations	60,709,764	52,252,367
Future funding requirements, net of future funding sources	(1,482,776)	(1,275,844)
Total net position	68,305,556	59,119,787
Total Liabilities and Net Position	$ 75,825,855	$ 67,105,733

The accompanying notes are an integral part of these statements.

U.S. DEPARTMENT OF LABOR

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30

(Dollars in thousands)	1997	1996
FINANCING SOURCES (Note 1-C)		
Appropriated capital used	$ 6,332,240	$ 6,135,062
Revenue from other Federal agencies	2,501,424	2,521,210
Revenue from the public	1,175,404	1,184,323
Interest and assessments	3,997,380	3,525,927
Employer taxes	27,860,720	28,261,966
Penalties and other assessments	103,859	91,054
Receipts to be transferred to Treasury	(103,859)	(91,054)
Total financing sources	41,867,168	41,628,488
EXPENSES BY PROGRAM (Notes 1-D and 12)		
Income maintenance	26,545,420	29,483,406
Employment and training	5,542,683	5,776,717
Labor, employment and pension standards	318,068	258,400
Worker safety and health	558,538	487,733
Statistics	400,746	354,302
Other departmental programs	252,045	224,449
Total expenses by program	33,617,500	36,585,007
Excess of financing sources over total expenses	$ 8,249,668	$ 5,043,481
NET POSITION		
Beginning balance	$ 59,119,787	$ 54,398,085
Increase in cumulative results of operations and future funding requirements, net of future funding sources		
Excess of financing sources over total expenses	8,249,668	5,043,481
Other	797	(422,902)
	8,250,465	4,620,579
Increase in unexpended appropriations	843,434	43,124
Increase in capitalized appropriations	91,870	57,999
	9,185,769	4,721,702
Ending balance	$ 68,305,556	$ 59,119,787

The accompanying notes are an integral part of these statements.

U.S. DEPARTMENT OF LABOR

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30

(Dollars in thousands)	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of financing sources over total expenses	$ 8,249,668	$ 5,043,481
Adjustments affecting cash flow:		
Appropriated capital used	(6,332,240)	(6,135,062)
Decrease (increase) in assets	(10,048)	825,529
Increase (decrease) in liabilities	(840,647)	361,459
Depreciation and loss on disposition of assets	72,086	45,672
Total adjustments	(7,110,849)	(4,902,402)
Net cash provided by operating activities	1,138,819	141,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(8,025,391)	(6,762,515)
Purchases of property and equipment	(117,364)	(79,140)
Net cash used by investing activities	(8,142,755)	(6,841,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net appropriations	7,221,749	5,788,752
Advances from U.S. Treasury	375,000	373,500
Net cash provided by financing activities	7,596,749	6,162,252
Net cash provided (used) by operating and non-operating activities	592,813	(538,324)
Funds with U.S. Treasury, beginning	7,373,954	7,912,278
Funds with U.S. Treasury, ending	$ 7,966,767	$ 7,373,954
Entity	$ 7,916,763	$ 7,300,917
Non-entity	50,004	73,037
Funds with U.S. Treasury, ending	$ 7,966,767	$ 7,373,954
Supplemental Disclosure of Cash Flow Information		
Total interest paid	$ 474,255	$ 448,483

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These consolidated financial statements present the financial position and results of operations of the U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government. DOL, through the execution of its congressionally approved budget, operates programs under three of the major budget functions established by Congress in the Budget and Impoundment Control Act of 1974: (1) education, training, employment and social services; (2) health (occupational health and safety); and (3) income security.

DOL's financial activity is recorded in individual funds, which are combined for reporting purposes into three separate fund types:

- **Revolving Fund** - This fund type is used to account for the financing of goods or services provided by a central operation to agencies and other functions within DOL. Operations are funded on a cost reimbursement basis by the recipients of the goods or services.

- **Trust Fund** - This fund type is used to account for receipts that are held in trust and dedicated to specific purposes or for use in carrying out specific programs. The assets of trust funds may be held over a period of time and may be used to purchase revenue producing investments.

- **General (Appropriated) Fund** - This fund type is used to account for receipts not dedicated to specific purposes and expenses arising under congressional appropriations or other authorizations to spend general revenues.

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of two of the largest funds within the reporting entity, the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL's Employment and Training Administration (ETA) and Employment Standards Administration (ESA), respectively, are responsible for the administrative oversight and policy direction for the income security programs financed by those trust funds. Treasury acts as custodian over monies deposited into those funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. Through agreement with Treasury, DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund for the preparation of financial statements prescribed under Section 303(b) of the Chief Financial Officers (CFO) Act of 1990.

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by OMB as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

The accompanying consolidated financial statements include the accounts of all funds under DOL control. All interfund balances and transactions have been eliminated. The consolidated financial statements do not include the effect of centrally administered assets and liabilities related to the Federal government as a whole, which may in part be attributable to DOL.

B. Basis of Presentation and Accounting

1. Basis of presentation

The consolidated financial statements have been prepared to report the financial position and results of operations of DOL, as required by the CFO Act of 1990, and the Government Management Reform Act of 1994. They have been prepared from the books and records of DOL, in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 94-01, certain supplemental provisions of OMB Bulletin 97-01 applicable to 1997 and 1996, and DOL's accounting policies, as summarized in Note 1. These statements are, therefore, different from the financial reports, also prepared by DOL pursuant to OMB directives, that are used to monitor and control DOL's use of budgetary resources.

OMB Bulletin 94-01 requires the following classification of assets and liabilities on the Statement of Financial Position as follows:

- Assets should be classified and aggregated as entity and non-entity, based upon whether or not DOL has the authority to use the assets in its operations. An amount equal to non-entity assets should be recognized as a liability due to other entities.
- Liabilities should be classified and aggregated as covered by budgetary resources and not covered by budgetary resources, based upon whether or not budget authority or other resources have been made available to cover the liabilities. Liabilities covered by budgetary resources represent obligations of the government against available appropriations or other funds.
- Certain assets and liabilities should also be classified as intragovernmental and governmental. Intragovernmental assets and liabilities arise from transactions among entities within the Federal government. Governmental assets and liabilities arise from transactions with entities outside the Federal government.

OMB Bulletin 94-01 requires that agencies include in their principal financial statements a Statement of Budgetary Resources and Actual Expenses. DOL management requested and OMB granted a waiver of this requirement for 1997 and 1996.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation and Accounting - Continued

2. Basis of accounting

Under the authority of the CFO Act of 1990, the Federal Accounting Standards Advisory Board (FASAB) was established to recommend Federal accounting standards to the Secretary of the Treasury, the Director of the Office of Management and Budget and the Comptroller General, co-principals of the Joint Financial Management Improvement Project (JFMIP). Specific standards agreed upon by the three principals will be issued by the Director of OMB and the Comptroller General. Pending issuance of final accounting standards, FASAB has recommended and the JFMIP principals have agreed that agencies adopt for use in preparing financial statements an other comprehensive basis of accounting, constituted by (1) individual standards agreed to and published by the JFMIP principals, (2) form and content requirements in OMB Bulletin 94-01 and certain provisions of OMB Bulletin 97-01 applicable to 1997 and 1996, (3) accounting standards contained in agency accounting policy, procedures manuals or related guidance, and (4) accounting principles published by authoritative standard setting bodies and other authoritative sources, (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting standards improves the meaningfulness of the financial statements. DOL has adopted this other comprehensive basis of accounting for preparation of these financial statements.

3. Changes in accounting principle

Effective October 1, 1996, DOL adopted Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government. SFFAS No. 5 requires the Department to recognize, at the time eligible employees' services are rendered, the projected cost to provide future pension benefits to these covered employees, and to recognize as an imputed financing source the amount of recognized pension expense in excess of pension contributions made by the Department. This imputed amount represents the pension expense to be financed by the Office of Personnel Management (OPM), the Federal agency administering DOL's pension plans. Prior to the enactment of SFFAS No. 5, DOL recognized as pension expense the amount of Departmental contributions to the various pension plans. (See Notes 1.O and 13.)

SFFAS No. 5 also requires the Department to recognize, at the time eligible employees' services are rendered, the projected future cost to provide post-retirement health and life insurance benefits (other retirement benefits [ORB]) to these eligible employees. Under SFFAS No. 5, an amount equal to the recorded ORB expense is recognized as an imputed financing source, to be provided for by OPM. Previously DOL recognized an expense for other retirement benefits as they became due and payable.

The accumulated pension expense, ORB expense and imputed financing source resulting from this change were recognized in 1997 as a one time adjustment to operating expenses and financing sources, with no effect on the net results of operations. (See Notes 1.O, 1.P and 13.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation and Accounting - Continued

4. Budgetary accounting

Budgetary accounting measures the appropriation and consumption of budget authority and other budgetary resources. Within DOL budget authority is derived from (1) cost reimbursement for the provision of goods or services, (2) receipts that are held in trust for use in carrying out specific purposes and programs in accordance with agreements or statutes, (3) receipts not dedicated to specific purposes and (4) congressional appropriations or other authorizations to spend general revenues.

C. Financing Sources

1. Appropriated capital used

DOL receives a portion of the funding needed to support its programs through congressional appropriations. A financing source, appropriated capital used, is recognized to the extent these appropriated funds have been consumed. Appropriations are consumed through the recognition of accrued expenses for which budgetary resources have been obligated. Accrued expenses not covered by budgetary resources do not consume appropriated capital in the period recognized, and must be funded from future appropriations. The consumption of appropriations expended to purchase capital items is recognized as appropriated capital used over the useful life of the asset, through depreciation and amortization expense.

2. Revenues

Revenues are recognized as a financing source to the extent reimbursements are payable or imputed to DOL from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Revenue between DOL agencies and between DOL funds is eliminated. Major sources of revenue include reimbursements due to the Federal Employees' (Workers') Compensation Special Benefit Fund (Federal Employees Workers' Compensation Fund) from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies, state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. Financing sources imputed to DOL to provide for pension and ORB expenses financed by OPM are recognized as revenues from other Federal agencies.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Financing Sources - Continued

3. Interest and assessments

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund (Longshore and Harbor Workers' Trust Fund), District of Columbia Workmen's Compensation Trust Fund (District of Columbia Trust Fund) and Panama Canal Commission Compensation Fund receive interest revenues on fund investments. Interest revenue is recognized when earned. Interest revenue from these investments was $3.9 billion and $3.4 billion in 1997 and 1996, respectively.

Interest earned on Federal funds in the possession of non-Federal entities is payable to the DOL. Non-Federal interest revenue received or due from these sources was $6.2 million and $3.6 million in 1997 and 1996, respectively.

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as revenues when earned. Assessment revenue was $124.4 million and $130.3 million in 1997 and 1996, respectively.

4. Employer taxes

Federal and state unemployment taxes are collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service (the collecting entity) and transferred to designated Federal accounts within the Unemployment Trust Fund (the receiving entity). State unemployment taxes are collected by each State (the collecting entity) and deposited in separate State accounts within the Unemployment Trust Fund (the receiving entity).

Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

Excise taxes are collected from coal mine operators based on the sale of coal. These excise taxes are collected by the Internal Revenue Service (the collecting entity) and transferred to the Black Lung Disability Trust Fund (the receiving entity). Transfers are based on assessed excise taxes as determined by the collecting entity. Excise taxes are used to pay disability benefits and related administrative expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Financing Sources - Continued

4. Employer taxes - continued

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to the receiving entity, plus the change in inter-entity balances between the collecting and receiving entity. Inter-entity balances represent revenue received by the collecting entity but not yet transferred to the receiving entity, as well as adjustments made by the collecting entity to previous transfers.

State unemployment tax revenues were $21.1 billion and $21.8 billion in 1997 and 1996, respectively. Federal unemployment tax revenues were $6.1 billion and $5.9 billion in 1997 and 1996, respectively. Excise tax revenues were $619.4 million and $609.2 million in 1997 and 1996, respectively.

5. Penalties and other assessments to be transferred to Treasury

Penalties levied against employers by OSHA, MSHA, ESA and PWBA for regulatory violations, ETA disallowed grant costs assessed against cancelled appropriations and FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees Workers' Compensation Fund are not available to the agencies for obligation or expenditure, and must be transferred to the general fund of the U.S. Treasury. These penalties and other assessments are recognized as financing sources when earned. A contra financing source, receipts to be transferred to Treasury, is also recognized.

D. Expenses

Expenses are presented in the consolidated statement of operations by major program. Depreciation and amortization, bad debts and interest expense are allocated to each major program expense, and are not shown separately, as delineated in OMB Bulletin 94-01. Expenses by object class and type are presented in Note 12.

E. Funds with U.S. Treasury

DOL cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Investments

DOL administers funds which are invested by Treasury in securities of the U.S. government. Funds held in the Unemployment Trust Fund are invested by Treasury in marketable and non-marketable Treasury securities. Investments are stated at cost and adjusted for amortization of premiums and discounts using the effective interest method. Funds held in the Panama Canal Commission Compensation Fund, the Longshore and Harbor Workers' Trust Fund and the District of Columbia Trust Fund are also invested by Treasury in marketable Treasury securities. These investments are stated at amortized cost which approximates market, and discounts and premiums are amortized using the straight-line method, which approximates the effective interest method. The majority of DOL's investments are in non-marketable special issue U.S. Treasury securities, redeemable on demand at their maturity value, which is equivalent to their carrying value in the Consolidated Statement of Financial Position. Special issues may be bought or sold only by Federal government agencies and trust funds. No secondary market exists for these instruments; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3.)

G. Accounts Receivable, Net of Allowance

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance (UI) benefits to eligible Federal workers (UCFE) and ex-service members (UCX). The FEC account is reimbursed for these payments by the responsible Federal agencies. DOL records as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

FECA charges for workers' compensation benefits are paid by DOL on behalf of other Federal agencies. DOL's Special Benefit Fund is reimbursed for these payments by the responsible Federal agencies. DOL records as accounts receivable amounts due from other Federal agencies for unreimbursed FECA benefits.

DOL recognizes as accounts receivable State unemployment taxes due from employers within the states and unemployment benefit overpayments that states determined were paid to individuals who were not entitled to receive benefits. Also included as accounts receivable are Black Lung Disability, Federal Employees Workers' Compensation, Longshore and Harbor Workers' and District of Columbia benefit overpayments made to individuals who were determined ineligible to receive benefits.

The Department also recognizes as accounts receivable amounts due for fines and penalties levied against employers by OSHA, MSHA, ESA and PWBA for regulatory violations and amounts due from ETA's grantees and contractors for disallowed grant costs.

The amounts due for receivables are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on past experience in the collection of the receivables and an analysis of the outstanding balances. (See Note 4.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Advances

DOL makes advances to state employment security agencies and to grantees and contractors to provide for future DOL program expenditures. These payments are recorded as an asset, which is reduced when actual expenditures or estimates of unreported expenditures are recorded by DOL. (See Note 5.)

I. Property, Plant and Equipment, Net of Depreciation

The majority of DOL's property, plant and equipment is held by Job Corps centers owned and operated by DOL through a network of contractors. DOL also maintains a departmental property system which accounts for capital equipment used by DOL management. Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Effective in 1996, plant and equipment and internally developed software and systems costs, including hardware, with a cost greater than $25,000 ($5,000 for the Working Capital Fund) and a useful life of 2 or more years are capitalized and depreciated. Plant and equipment and internally developed software and systems costing less than $25,000 ($5,000 for the Working Capital Fund) or having a useful life of less than 2 years, are charged to expense at the time of purchase. Previously plant and equipment with a cost greater than $5,000 and a useful life of 2 or more years and internally developed software and systems costs, including hardware, with a cost greater than $25,000 and a useful life of 2 or more years were capitalized and depreciated. Plant and equipment costing less than $5,000 or having a useful life of less than 2 years and internally developed software and systems costing less than $25,000 or having a useful life of less than 2 years, were charged to expense at the time of purchase. These changes were treated prospectively.

Job Corps center construction costs are capitalized as construction-in-progress until completed and are then classified as improvements to facilities. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives or the term of the lease, using the straight-line amortization method.

Plant and equipment are depreciated over their useful lives using the straight-line method of depreciation. The following table shows the depreciation periods used for the major classes of DOL plant and equipment:

	Years
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

Programs administering DOL funds have acquired real and tangible property in which DOL has a reversionary interest. When this property is disposed of or no longer used for its authorized purpose, DOL is entitled to a pro rata share of the proceeds from sale or the property's fair market value, if the property is retained but no longer used for DOL purposes. The current value of real property in which DOL has a reversionary interest is $381.0 million. The value of tangible property is not determinable. (See Note 6.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Advances from U.S. Treasury

Funds are provided by Congressional appropriation, as advances to DOL's Black Lung Disability Trust Fund, as may be necessary to meet the obligations of the fund. Financing for these advances is provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation. These advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances at September 30, 1997 and 1996 bear interest rates ranging from 6.125% to 13.875%. Amounts in the trust fund shall be available, as provided by appropriation acts, for the repayment of and the payment of interest on, these repayable advances. Interest and principal are payable to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 7.)

K. Accrued Benefits

The accompanying financial statements include a liability for unemployment, disability and workers' compensation benefits payable under the provisions of the Social Security Act, the Black Lung Benefit Act, the Federal Employees' Compensation Act, the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. Unemployment, disability and workers' compensation benefits authorized by these Acts are paid from designated funds administered by DOL. Within each program, DOL recognizes a liability for certain unpaid benefits, as discussed below: (See Note 9.)

1. Unemployment Trust Fund

The Unemployment Trust Fund, established under the authority of Section 904 of the Social Security Act of 1935, as amended, provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency.

DOL recognizes a liability for regular and extended unemployment benefits to the extent of unpaid benefits applicable to the current period. DOL recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accrued Benefits - Continued

2. Black Lung Disability Trust Fund

The Black Lung Disability Trust Fund, established under the authority of the Black Lung Benefit Act, provides for compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

3. Federal Employees Workers' Compensation Fund

The Federal Employees' (Workers') Compensation Special Benefit Fund (Federal Employees Workers' Compensation Fund), established under the authority of the Federal Employees' Compensation Act (FECA), provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. A liability for workers' compensation benefits payable by the Special Benefit Fund to the employees of other Federal agencies is accrued to the extent of unpaid benefits applicable to the current period.

The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. DOL recognizes a liability for 10(h) payments to the extent of unpaid benefits applicable to the current period.

L. Future Workers' Compensation Benefits

The accompanying financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as a liability for future workers' compensation benefits payable by the Special Benefit Fund which are not chargeable to other Federal agencies. The Special Benefit Fund assumes a liability for nonchargeable FECA benefits equal to the projected gross liability for future FECA benefits for all Federal agencies less the reserve credits to be charged back to those agencies. The liability includes the expected liability for death, disability, medical and other approved costs, and is determined using the paid-loss extrapolation method. This methodology uses historical benefit payment patterns related to a specific incurred period to yield projected annual benefit payments, which have been discounted to present value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Future Workers' Compensation Benefits - Continued

The interest rates utilized for discounting for fiscal year 1997 were 6.24% in 1998, 5.82% in 1999, 5.60% in 2000, 5.45% in 2001, 5.40% in 2002 and thereafter. The interest rates utilized for discounting for fiscal year 1996 were 6.21% in 1997, 5.97% in 1998, 5.60% in 1999, 5.32% in 2000, 5.15% in 2001 and 5.10% in 2002 and thereafter.

In fiscal year 1997, the methodology was enhanced to provide more specifically for the effects of inflation on the liability for future workers' compensation benefits. Wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) were added and applied to the calculation of projected future benefits. These factors were also used to adjust the methodology's historical payments to current year constant dollars. Also included were a change in the assumption of the timing of compensation payments, from an assumed one payment per year to thirteen payments per year, and an extension of the projected number of years of benefit payments, from 23 years to 37 years.

The compensation COLAs and CPIMs used in the projections were as follows:

Fiscal Year	COLA	CPIM
1986	0.0%	7.3%
1987	3.0%	7.0%
1988	2.0%	6.3%
1989	4.1%	7.2%
1990	3.6%	8.8%
1991	4.1%	9.1%
1992	4.2%	7.7%
1993	3.7%	6.3%
1994	2.2%	4.9%
1995	0.0%	4.7%
1996	2.5%	3.8%
1997	3.3%	3.1%
1998	2.4%	4.0%
1999	2.6%	4.1%
2000	2.5%	4.1%

The increase in the estimated projected gross liability for future FECA benefits for all Federal agencies was due primarily to the enhancements in the methodology. These changes were treated prospectively. (See Note 10.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. At year end, leave balances are revalued to reflect current wages. The balance of leave earned but not taken will be paid from future funding sources.

Sick leave and other types of nonvested leave are expensed as taken.

N. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL makes matching contributions to the FEHBP and FEGLIP on behalf of active employees to pay for current benefits. These contributions are recognized as current operating expenses. During 1997 and 1996, DOL contributions to the FEHBP and FEGLIP were $36.4 million and $37.8 million respectively.

O. Employee Pension Benefits

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), implemented on January 1, 1987. For employees participating in CSRS, DOL withholds 7.00% of their gross earnings. This withholding is matched by DOL, and the total of employee withholdings and DOL contributions is transferred to the Civil Service Retirement and Disability Fund. For employees in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with an 11.4% contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as operating expenses.

FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's contributions were $19.6 million and $18.1 million during 1997 and 1996, respectively.

On April 1, 1987, the Federal government initiated the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan for employees covered by either FERS or CSRS. For employees covered under FERS, DOL contributes to the TSP an amount equal to 1% of the employees' pay. FERS participants may contribute up to 10% of their gross pay to the TSP. DOL matches 100% of the first 3% contributed and 50% of the next 2% contributed. CSRS participants may contribute up to 5% of their gross pay to the TSP, but there is no departmental matching contribution. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is $9,500. DOL contributions to the TSP are recognized as operating expenses. The total of employee and departmental contributions is transferred to the Federal Retirement Thrift Investment Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Employee Pension Benefits - Continued

Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government, implemented by DOL effective October 1, 1996, requires the Department to recognize the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements. The excess of total pension expense over the amount contributed by the Department and DOL's employees represents the amount of pension expense which must be financed directly by OPM. To provide for this excess pension expense, DOL recognized in its financial statements for 1997 an imputed financing source equal to the excess amount, included as revenue from other Federal agencies. (See Note 13.)

DOL does not report in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

P. Other Retirement Benefits

DOL employees eligible to participate in the contributory Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program may continue to participate in these programs after their retirement. DOL continues to make contributions to the FEHBP and FEGLIP on behalf of retired employees to provide for these post-retirement benefits. SFFAS No. 5 requires DOL to recognize a current expense for the future cost of other retirement benefits (ORB) at the time the employee's services are rendered.

Using cost factors supplied by OPM, DOL recognized a current expense for the future cost of post-retirement health and life insurance benefits in its financial statements for 1997. This ORB expense must be financed by OPM, and is offset by DOL through recognition of an imputed financing source, recorded as revenue from other Federal agencies in the financial statements. The accumulated expense for other retirement benefits and the imputed financing source recognized during 1997 were $36.2 million.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Q. Net Position

Each fund balance incorporated in DOL's net position consists of one or more of the following components:

1. Unexpended appropriations

Unexpended appropriations include the undelivered orders and unobligated balances of DOL's general (appropriated) funds. Multi-year appropriations remain available to DOL for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed, generally five years after the appropriations expire.

2. Invested capital

Invested capital represents U.S. Government resources invested in the DOL's assets, principally property, plant and equipment, and other capitalized assets such as leasehold improvements. Increases to invested capital are recorded when assets are acquired and decreases occur as a result of the consumption (depreciation) or disposition of capital assets.

3. Cumulative results of operations

Cumulative results of operations represents the net difference between expenses and losses consuming budgetary resources and financing sources and gains providing budgetary resources of the Unemployment, Longshore and Harbor Workers' Compensation and District of Columbia Workmen's Compensation Trust Funds and the ETA and Departmental Management revolving funds during the current and prior periods.

4. Future funding requirements, net of future funding sources

Certain liabilities are not covered by and certain assets do not provide current budgetary resources. Net position has been reduced to reflect the excess of these liabilities over assets. These liabilities will require funding from future appropriations or other budgetary resources. Future appropriations will be made at the discretion of Congress.

The consolidated net position by fund component for all funds as of September 30, 1997 and 1996 is presented in Note 11.

R. Reclassifications

Certain amounts for 1996 have been reclassified to conform with the 1997 presentation of these amounts.

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 1997 consisted of the following:

(Dollars in thousands)	Obligated	Unobligated Available	Unobligated Restricted	Total
Entity assets				
Revolving funds	$ 11,742	$ 10,169	$ -	$ 21,911
Trust funds	4,866	265,242	-	270,108
General (appropriated) funds	5,099,381	2,173,414	351,949	7,624,744
	5,115,989	2,448,825	351,949	7,916,763
Non-entity assets				
Trust funds	-	-	(108)	(108)
General (appropriated) funds	-	-	50,112	50,112
	-	-	50,004	50,004
	$ 5,115,989	$ 2,448,825	$ 401,953	$ 7,966,767

Funds with U.S. Treasury at September 30, 1996 consisted of the following:

(Dollars in thousands)	Obligated	Unobligated Available	Unobligated Restricted	Total
Entity assets				
Revolving funds	$ 12,590	$ 8,501	$ -	$ 21,091
Trust funds	8,057	213,451	-	221,508
General (appropriated) funds	4,907,324	1,709,331	441,663	7,058,318
	4,927,971	1,931,283	441,663	7,300,917
Non-entity assets				
Trust funds	-	-	(217)	(217)
General (appropriated) funds	-	-	73,254	73,254
	-	-	73,037	73,037
	$ 4,927,971	$ 1,931,283	$ 514,700	$ 7,373,954

NOTE 3 - INVESTMENTS

Investments at September 30, 1997 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Marketable				
U.S. Treasury Bonds				
3.500% maturing November 15, 1998	$ 43,200	$ 5	$ 43,205	$ 43,200
Non-marketable				
Special U.S. Treasury securities				
Certificates of indebtedness				
6.875% maturing June 30, 1998	61,880,184	-	61,880,184	61,880,184
	61,923,384	5	61,923,389	61,923,384
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
5.500% to 8.750% various maturities	42,829	559	43,388	43,493
U.S. Treasury Bonds				
7.500% to 14.000% various maturities	32,614	7,311	39,925	41,894
	75,443	7,870	83,313	85,387
Longshore and Harbor Workers' Trust Fund				
Marketable				
U.S. Treasury Bills				
4.400% to 5.350% various maturities	61,865	(673)	61,192	61,192
District of Columbia Trust Fund				
Marketable				
U.S. Treasury Bills				
4.470% to 5.150% various maturities	5,315	(53)	5,262	5,262
	$ 62,066,007	$ 7,149	$ 62,073,156	$ 62,075,225
Entity investments	$ 61,991,486	$ 7,149	$ 61,998,635	$ 62,000,704
Non-entity investments	74,521	-	74,521	74,521
	$ 62,066,007	$ 7,149	$ 62,073,156	$ 62,075,225

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 1996 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Net Value	Market Value
Unemployment Trust Fund				
Marketable				
U.S. Treasury Bonds				
3.500% maturing November 15, 1998	$ 43,200	$ 9	$ 43,209	$ 42,471
Non-marketable				
Special U.S. Treasury securities				
Certificates of indebtedness				
6.875% maturing June 30, 1997	53,849,330	-	53,849,330	53,849,330
	53,892,530	9	53,892,539	53,891,801
Panama Canal Commission Compensation Fund				
Marketable				
U.S. Treasury Notes				
5.500% to 8.750% various maturities	50,166	925	51,091	50,423
U.S. Treasury Bonds				
7.500% to 14.000% various maturities	22,399	4,012	26,411	27,398
	72,565	4,937	77,502	77,821
Longshore and Harbor Workers' Trust Fund				
Marketable				
U.S. Treasury Bills				
4.930 to 5.240% various maturities	73,145	(983)	72,162	72,162
District of Columbia Trust Fund				
Marketable				
U.S. Treasury Bills				
4.790% to 5.190% various maturities	5,615	(53)	5,562	5,562
	$ 54,043,855	$ 3,910	$ 54,047,765	$ 54,047,346
Entity investments	$ 53,916,196	$ 3,910	$ 53,920,106	$ 53,919,687
Non-entity investments	127,659	-	127,659	127,659
	$ 54,043,855	$ 3,910	$ 54,047,765	$ 54,047,346

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

The primary components of DOL's accounts receivable at September 30, 1997 and 1996 are as follows:

(Dollars in thousands)	1997 Accounts Receivable	1997 Allowance	1997 Total	1996 Total
Entity assets				
Intragovernmental				
Due from other Federal agencies for UCFE and UCX benefits	$ 265,265	$ -	$ 265,265	$ 331,383
FECA charges to other Federal agencies for workers' compensation benefits	3,111,515	-	3,111,515	3,063,426
Other	13,548	-	13,548	11,908
	3,390,328	-	3,390,328	3,406,717
Governmental				
State unemployment taxes	560,094	(405,898)	154,196	83,826
Due from reimbursable employers	321,844	(21,686)	300,158	315,846
Benefit overpayments	2,005,409	(1,845,781)	159,628	401,977
Other	24,839	(21,698)	3,141	10,795
	2,912,186	(2,295,063)	617,123	812,444
	6,302,514	(2,295,063)	4,007,451	4,219,161
Non-entity assets				
Governmental				
Fines, penalties and disallowed costs	121,437	(89,702)	31,735	40,799
Backwages	6,205	(913)	5,292	2,246
	127,642	(90,615)	37,027	43,045
	$ 6,430,156	$ (2,385,678)	$ 4,044,478	$ 4,262,206

NOTE 5 - ADVANCES

Advances consisted of the following at September 30, 1997 and 1996:

(Dollars in thousands)	1997	1996
Governmental		
Advances to states for UI benefit payments	$ 106,591	$ 37,062
Advances to grantees and contractors to finance future DOL program expenditures	14,429	10,070
Other	7,833	8,924
	$ 128,853	$ 56,056

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION

Property, plant and equipment consisted of the following at September 30, 1997 and 1996:

	1997			1996
(Dollars in thousands)	Cost or Basis	Accumulated Depreciation/ Amortization	Net Book Value	Net Book Value
Structures, facilities and improvements				
Structures and facilities	$ 495,320	$ (235,035)	$ 260,285	$ 215,657
Improvements to leased facilities	186,093	(92,982)	93,111	84,082
	681,413	(328,017)	353,396	299,739
Furniture and equipment				
Equipment held by contractors	168,165	(152,478)	15,687	19,224
Furniture and equipment	58,472	(25,987)	32,485	36,180
	226,637	(178,465)	48,172	55,404
ADP software	39,697	(20,069)	19,628	30,553
Construction-in-progress	100,579	-	100,579	54,354
Land	58,806	-	58,806	48,661
	$ 1,107,132	$ (526,551)	$ 580,581	$ 488,711

NOTE 7 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 1997 consisted of:

(Dollars in thousands)	Balance at September 30, 1996	Net Borrowing	Balance at September 30, 1997
Liabilities not covered by budgetary resources			
Borrowing from the Treasury	$ 5,111,557	$ 375,000	$ 5,486,557
	$ 5,111,557	$ 375,000	$ 5,486,557

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 1996 consisted of:

(Dollars in thousands)	Balance at September 30, 1995	Net Borrowing	Balance at September 30, 1996
Liabilities not covered by budgetary resources			
Borrowing from the Treasury	$ 4,738,057	$ 373,500	$ 5,111,557
	$ 4,738,057	$ 373,500	$ 5,111,557

- Based on current operating conditions and the statutory operating requirements of the Black Lung Disability Trust Fund, additional repayable advances will be necessary to finance future interest payments on outstanding advances. These advances represented $5.487 billion of the fund's $5.501 billion net future funding requirement at September 30, 1997. If current operating conditions continue, repayment of existing and future advances will require a change in the statutory operating structure of the fund.

NOTE 8 - OTHER LIABILITIES

Other liabilities represent current liabilities not specifically classified on the Consolidated Statements of Financial Position.

At September 30, 1997 and 1996, other liabilities consisted of the following:

(Dollars in thousands)	1997	1996
Liabilities covered by budgetary resources		
Intragovernmental		
Excess UTF investments due to U.S. Treasury	$ 89,503	$ 130,996
Unearned FECA assessments	7,269	11,390
Advance from U.S. General Services Administration	533	337
	97,305	142,723
Governmental		
Accrued payroll and benefits	47,089	39,582
	144,394	182,305
Liabilities not covered by budgetary resources		
Intragovernmental		
Non-entity receipts due to U.S. Treasury	38,569	54,894
Amounts held for the Railroad Retirement Board	75,645	129,536
Deposit and clearing accounts	11,172	21,765
	125,386	206,195
Governmental		
Due to Backwage recipients	35,436	36,420
Unearned assessment revenue of the Longshore and Harbor Workers' and District of Columbia Trust Funds	32,324	33,156
Deposit and clearing accounts	2,953	2,788
Readjustment allowances and other liabilities due to Job Corps students	33,828	35,901
	104,541	108,265
	229,927	314,460
	$ 374,321	$ 496,765

NOTE 9 - ACCRUED BENEFITS

Accrued benefits at September 30, 1997 and 1996, consisted of the following:

(Dollars in thousands)	1997	1996
Liabilities covered by budgetary resources		
State regular and extended unemployment benefits payable	$ 422,291	$ 714,720
Federal extended unemployment benefits payable	7,617	11,149
Federal emergency unemployment benefits payable	10,843	19,277
Federal employees' unemployment benefits payable	17,487	28,062
Disability benefits payable to Federal employees and 10(h) benefits payable	90,990	85,809
Disability benefits payable to longshore and harbor workers	4,403	4,293
Disability benefits payable to employees of the District of Columbia	392	368
Disability benefits payable to coal mine workers	4,469	2,506
	558,492	866,184
Liabilities not covered by budgetary resources		
Federal employees' unemployment benefits for existing claims due in the subsequent year	99,120	102,562
Disability benefits payable to coal mine workers requiring future funding	30,400	33,422
	129,520	135,984
	$ 688,012	$ 1,002,168

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS

The accompanying financial statements include a provision for future workers' compensation benefits payable from the Federal Employees Workers' Compensation Fund and other DOL general funds at September 30, 1997 and 1996, as follows:

(Dollars in thousands)	1997	1996
Federal Employees Workers' Compensation Fund		
FECA benefits due to eligible Job Corps enrollees and workers of DOL and the Panama Canal Commission	$ 202,442	$ 196,439
FECA benefits not chargeable to other Federal agencies	448,021	693,418
	$ 650,463	$ 889,857

NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS - Continued

The projected future FECA liability for all Federal agencies, reduced to reflect reserve credits which will be charged back to these agencies, and the liability for FECA benefits not chargeable to other Federal agencies, consisted of the following at September 30, 1997 and 1996:

(Dollars in thousands)	1997	1996
Projected gross liability for future FECA benefits	$ 18,801,512	$ 17,929,163
Less reserve credits		
U.S. Postal Service	4,959,618	4,936,657
Department of Navy	2,636,526	2,468,462
Department of Army	1,610,945	1,494,611
Department of Veterans Affairs	1,431,279	1,382,170
Department of Air Force	1,240,718	1,133,596
Department of Transportation	1,140,383	938,568
Tennessee Valley Authority	653,365	574,323
Department of Treasury	775,516	694,100
Department of Agriculture	623,140	541,510
Department of Justice	628,698	544,151
Department of Interior	446,611	424,930
Department of Defense, Other	693,852	642,237
Department of Health and Human Services	180,589	202,759
Social Security Administration	195,095	170,782
General Services Administration	183,667	170,275
Department of Commerce	116,560	101,503
Department of Energy	59,643	59,013
Department of State	43,620	35,587
Department of Housing & Urban Development	57,127	79,532
Department of Education	5,003	6,124
National Air and Space Administration	56,891	63,230
Environmental Protection Agency	17,332	15,560
National Science Foundation	805	992
Small Business Administration	17,125	24,978
Office of Personnel Management	7,070	9,625
Nuclear Regulatory Commission	9,029	5,875
Agency for International Development	38,741	34,220
Federal Emergency Management Agency	6,038	3,617
Department of Labor	202,442	196,439
Other	316,063	280,319
	18,353,491	17,235,745
FECA benefits not chargeable to other Federal agencies	$ 448,021	$ 693,418

NOTE 11 - NET POSITION

DOL's net position by fund type at September 30, 1997 consisted of the following:

	1997				
(Dollars in thousands)	**Revolving Fund**	**Trust Fund**	**General Fund**	**Elimi- nations**	**Total**
Unexpended appropriations					
Unobligated balance available	$ -	$ -	$ 2,248,130	$ -	$ 2,248,130
Unobligated balance unavailable	-	-	352,030	-	352,030
Undelivered orders	-	-	5,897,827	-	5,897,827
Total unexpended appropriations	-	-	8,497,987	-	8,497,987
Invested capital	11,947	13	568,621	-	580,581
Cumulative results of operations					
Unemployment Trust Fund					
Federal accounts	-	18,034,509	-	-	18,034,509
State accounts	-	42,598,430	-	-	42,598,430
	-	60,632,939	-	-	60,632,939
Longshore and Harbor Workers' Trust Fund	-	57,023	-	-	57,023
District of Columbia Trust Fund	-	4,905	-	-	4,905
Other	12,385	2,512	-	-	14,897
Total cumulative results	12,385	60,697,379	-	-	60,709,764
Total fund balance	24,332	60,697,392	9,066,608	-	69,788,332

(Continued)

NOTE 11 - NET POSITION - Continued

	1997				
(Dollars in thousands)	Revolving Fund	Trust Fund	General Fund	Elimi-nations	Total
Total fund balance					
(from previous page)	$ 24,332	$ 60,697,392	$ 9,066,608	$ -	$ 69,788,332
Future funding requirements, net of future funding sources					
Future funding requirements					
Future workers' compensation benefits	(2,609)	-	(650,463)	2,609	(650,463)
Advances from U.S. Treasury	-	(5,486,557)	-	-	(5,486,557)
Accrued benefits	-	(129,520)	-	-	(129,520)
Accrued annual leave	(1,533)	-	(79,554)	-	(81,087)
Other	(464)	(107,969)	(122,422)	928	(229,927)
Total future funding requirements	(4,606)	(5,724,046)	(852,439)	3,537	(6,577,554)
Future funding sources					
Due from Federal agencies for UCFE and UCX benefits	-	233,548	-	-	233,548
Due from Federal agencies for workers' compensation benefits	-	-	3,042,218	(464)	3,041,754
Due from reimbursable employers for unemployment compensation	-	300,158	-	-	300,158
Net state unemployment taxes receivable	-	154,196	-	-	154,196
Net benefit overpayments receivable	-	143,835	15,793	-	159,628
Interest receivable	-	1,026,351	2,642	-	1,028,993
Other	3,116	77,851	98,607	(3,073)	176,501
Total future funding sources	3,116	1,935,939	3,159,260	(3,537)	5,094,778
Total future funding requirements, net of future funding sources	(1,490)	(3,788,107)	2,306,821	-	(1,482,776)
	$ 22,842	$ 56,909,285	$ 11,373,429	$ -	$ 68,305,556

NOTE 11 - NET POSITION - Continued

DOL's net position by fund type at September 30, 1996 consisted of the following:

(Dollars in thousands)	1996 Revolving Fund	Trust Fund	General Fund	Eliminations	Total
Unexpended appropriations					
Unobligated balance available	$ -	$ -	$ 1,781,390	$ -	$ 1,781,390
Unobligated balance unavailable	-	-	432,337	-	432,337
Undelivered orders	-	-	5,440,826	-	5,440,826
Total unexpended appropriations	-	-	7,654,553	-	7,654,553
Invested capital	12,926	14	475,771	-	488,711
Cumulative results of operations					
Unemployment Trust Fund					
Federal accounts	-	14,353,325	-	-	14,353,325
State accounts	-	37,813,756	-	-	37,813,756
	-	52,167,081	-	-	52,167,081
Longshore and Harbor Workers' Trust Fund	-	67,530	-	-	67,530
District of Columbia Trust Fund	-	5,322	-	-	5,322
Other	10,264	2,170	-	-	12,434
Total cumulative results	10,264	52,242,103	-	-	52,252,367
Total fund balance	23,190	52,242,117	8,130,324	-	60,395,631

(Continued)

NOTE 11 - NET POSITION - Continued

(Dollars in thousands)	1996 Revolving Fund	Trust Fund	General Fund	Elimi-nations	Total
Total fund balance					
(from previous page)	$ 23,190	$ 52,242,117	$ 8,130,324	$ -	$ 60,395,631
Future funding requirements, net of future funding sources					
Future funding requirements					
Future workers' compensation benefits	(3,099)	-	(889,857)	3,099	(889,857)
Advances from U.S. Treasury	-	(5,111,557)	-	-	(5,111,557)
Accrued benefits	-	(135,984)	-	-	(135,984)
Accrued annual leave	(1,533)	-	(70,358)	-	(71,891)
Other	(492)	(162,692)	(152,947)	1,671	(314,460)
Total future funding requirements	(5,124)	(5,410,233)	(1,113,162)	4,770	(6,523,749)
Future funding sources					
Due from Federal agencies for UCFE and UCX benefits	-	259,057	-	-	259,057
Due from Federal agencies for workers' compensation benefits	-	-	3,050,132	(492)	3,049,640
Due from reimbursable employers for unemployment compensation	-	315,846	-	-	315,846
Net state unemployment taxes receivable	-	83,826	-	-	83,826
Net benefit overpayments receivable	-	388,704	13,273	-	401,977
Interest receivable	-	871,971	2,441	-	874,412
Other	4,418	132,325	130,682	(4,278)	263,147
Total future funding sources	4,418	2,051,729	3,196,528	(4,770)	5,247,905
Total future funding requirements, net of future funding sources	(706)	(3,358,504)	2,083,366	-	(1,275,844)
	$ 22,484	$ 48,883,613	$ 10,213,690	$ -	$ 59,119,787

NOTE 12 - EXPENSES BY OBJECT CLASS AND TYPE

Expenses are presented in the consolidated statement of operations by major program. Presented below are expenses for 1997 and 1996 by object class and type.

(Dollars in thousands)	1997	1996
1. Expenses by object classification		
Personnel and benefits	$ 1,048,927	$ 951,361
Travel and transportation	47,838	34,498
Communications, utilities and rentals	277,514	259,318
Other services	371,919	301,895
Supplies, materials and small equipment	69,477	47,652
Grants, subsidies and contributions	8,119,590	8,351,759
Interest	474,255	448,483
Benefits and other payments	22,480,051	25,131,470
Depreciation and amortization	53,234	39,198
Loss on disposition of assets	18,852	6,474
Bad debts	655,843	1,012,899
	$ 33,617,500	$ 36,585,007
2. Expenses by type		
Operating	$ 10,663,194	$ 11,005,054
Benefit payments	22,480,051	25,131,470
Interest	474,255	448,483
	$ 33,617,500	$ 36,585,007

NOTE 13 - PENSION EXPENSE

SFFAS No. 5, adopted by DOL effective October 1, 1996, requires the Department to recognize the full cost of providing future pension benefits to eligible employees while they are working. The excess of total pension expense over the amounts contributed by the Department and DOL's employees must be financed by OPM. SFFAS No. 5 requires DOL to recognize an imputed financing source equal to this excess amount. The accumulated effect of the adoption of SFFAS No. 5 on pension expense and imputed financing sources was recognized in 1997. Prior to the adoption of SFFAS No. 5, DOL recognized as pension expense the amount of Departmental contributions to the retirement plans.

Pension expense at September 30, 1997 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed to OPM	Total Pension Expense
Civil Service Retirement System	$ 34,258	$ 51,196	$ 85,454
Federal Employees' Retirement System	34,287	(2,102)	32,185
Thrift Savings Plan	12,132	-	12,132
	$ 80,677	$ 49,094	$ 129,771

Pension expense at September 30, 1996 consisted of the following:

(Dollars in thousands)	Employer Contributions	Accumulated Costs Imputed to OPM	Total Pension Expense
Civil Service Retirement System	$ 34,611	$ -	$ 34,611
Federal Employees' Retirement System	31,417	-	31,417
Thrift Savings Plan	11,224	-	11,224
	$ 77,252	$ -	$ 77,252